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SUBJECT: PARAGUAY: ANTI-MONEY LAUNDERING SECRETARIAT
PRESENTS REGULATIONS FOR BANKING INDUSTRY

1. SUMMARY: On October 11, Paraguay,s Anti-Money Laundering Secretariat (SEPRELAD) presented its rules and procedures for

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banks and other monetary institutions subject to reporting requirements under the Superintendent of Banks. SEPRELAD,s statutory powers provided by the current anti-money laundering law 1015 of 1996, allow it to issue regulations for Paraguay,s banking industry. These new regulations spell out that all banks are now required to have a designated compliance officer, to use "due-diligence," and to exert "know your customer" policies. In addition, the regulations apply money-laundering controls to non-bank financial institutions, such as money exchange houses. Passage of the new anti-money laundering law currently before congress would allow SEPRELAD to expand its regulations, to include the prohibition of the exchange of non-monetary instruments through casinos, car dealerships, and pawnshops. and would provide authorities with the resources and mechanisms essential for proper investigation and law enforcement. END SUMMARY.

Regulations a Step Forward

2. On October 11, Paraguay,s Anti-Money Laundering Secretariat (SEPRELAD) working council passed a new set of

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rules and regulations for banks and monetary institutions that report to the Superintendent of Banks. SEPRELAD,s Director, Carlos Yegros, presented the new set of regulations to Embassy officials on October 12. In his outline of the new rules, Yegros highlighted that under existing anti-money laundering law 1015 of 1996, SEPRELAD has the authority to issue regulations for Paraguay,s banking industry aimed at improving Paraguay,s ability to combat money laundering and terrorist financing. In addition, the regulations apply money laundering controls to non-bank financial institutions, such as money exchange houses. The new regulations include the following provisions:

- designation of a compliance officer within each banking institution to ensure conformity to the regulations;
- familiarization of the new regulations and training for banking personnel;
- establishment of an employee code of conduct;
- implementation of a program of internal hearing at each institution to monitor prevention, detection, and reporting controls;
- establishment of "know your customer" policies;
- establishment of "due-diligence" provisions;
- creation of banking client profiles;
- registration of all transactions;
- and the filing of suspicious activity reports.

3. The establishment of these regulations will bring Paraguay,s regulatory regime closer to international anti-money laundering standards. While some individual banks in Paraguay, such as Interbanco, had previously met international anti-money laundering controls, there were no regulations set forth for banking compliance. These policies are the result of a yearlong effort to codify existing procedures of some banks and monetary institutions and to urge those not in compliance to begin implementing these procedures. This year, SEPRELAD has made efforts to improve Paraguay,s anti-money laundering enforcement by furthering its capabilities, infrastructure, and cooperation with the banking industry. These new regulations will increase cooperation with the Risk Control Division of the Superintendent of Banks, outlined as a priority in the

Memorandum of Understanding signed between both organizations earlier this year.

Further Progress Awaits Passage of New Law

14. With the passage of a new law written to improve the effectiveness of Paraguay's anti-money laundering regime, drafted in late 2003 and formally introduced to Congress in May 2004, SEPRELAD could expand its regulations to include the prohibition of the exchange of non-monetary instruments. Oftentimes in Paraguay, suspected money launderers have traded non-monetary instruments through pawnshops, car dealerships, casinos, etc. to launder funds. The new anti-money laundering law would also establish money laundering as an autonomous crime punishable by a prison term of five to 20 years. In addition, the new law would establish predicate offenses as any crimes that are punishable by a prison term exceeding six months, and specifically criminalize money laundering tied to the financing of terrorist groups or acts.

15. Comment: To date no individuals have been convicted of money laundering. Instead, those implicated in money laundering are prosecuted for lesser crimes like tax evasion. Adoption and implementation of the new money laundering law will provide authorities with the legal framework and attendant law enforcement tools essential for proper investigation and prosecution of money laundering cases.
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